

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 2084  
**Version:** First engrossment

**DATE:** April 7, 2015

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**Subject:** Income tax credit for student loan payments

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Allows a refundable individual income tax credit for principal and interest payments on student loans, incurred for the taxpayer or spouse. The credit is limited to the least of:

- ▶ loan payments made during the year, reduced by 10 percent of the individual's adjusted gross income in excess of \$10,000;
- ▶ the individual's earned income for the year; or
- ▶ interest payments made during the year plus 10 percent of the original loan amount (a fixed portion of principal)

A student may claim the credit if he or she has a "qualified education loan" related to an undergraduate or graduate degree program, which is any loan used to pay for the costs of attending an educational institution. This includes federal direct and Perkins loans, state loans, and private student loans.

If a student's loans are related to the costs of attending a school in Minnesota, he or she may only claim the credit if the school is eligible for grant programs administered by the Office of Higher Education. If a student's loans are related to the costs of attending a school outside of Minnesota, he or she may only claim the credit if the school is eligible for federal Pell grants.

Effective date: tax year 2015.